



# THE IMPORTANCE OF ESG REPORTING

CPA BC Member Engagement Tour 2021

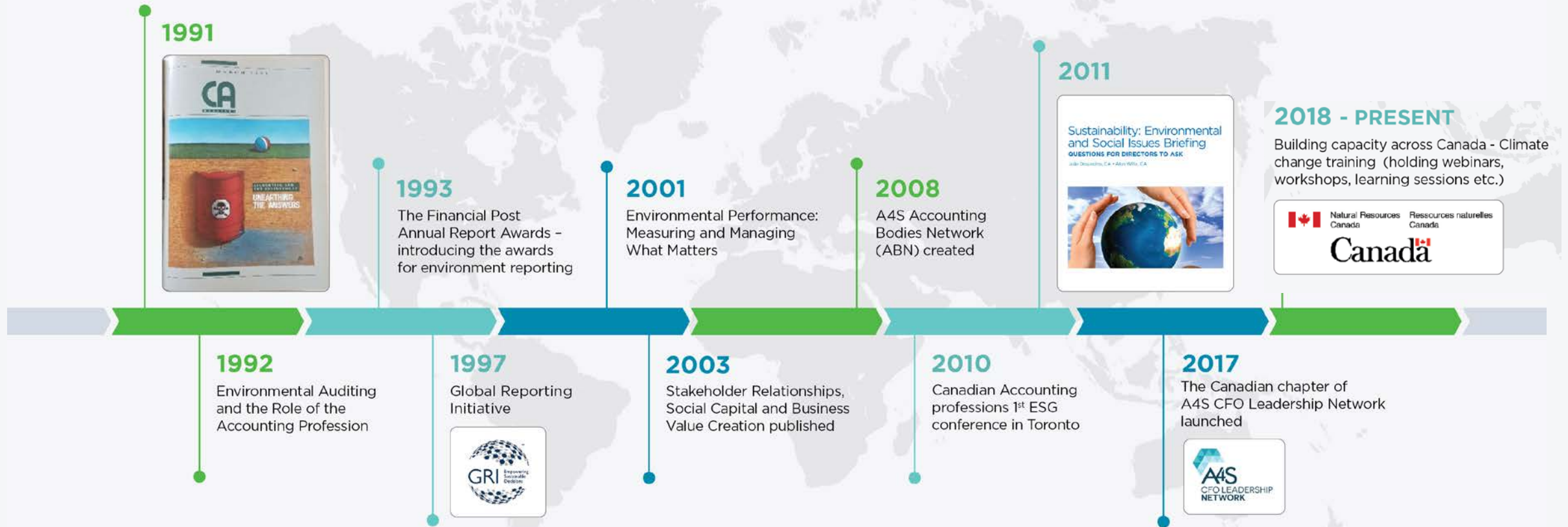
Rosemary McGuire, Director, Research, Guidance & Support, CPA Canada

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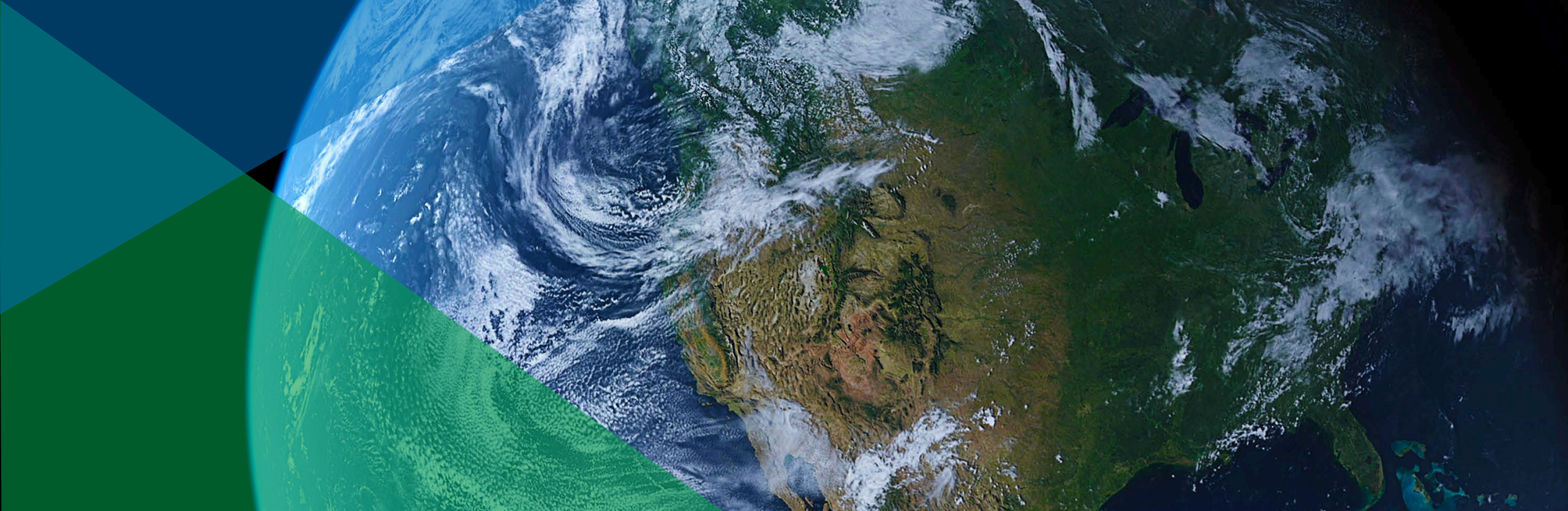
# Agenda

- 1) Canadian and global context
- 2) Investor perspectives
- 3) Reporting challenges
- 4) IFRS Foundation's proposed International Sustainability Standards Board
- 5) Key takeaways

# Canadian accounting profession – 30 years of ESG/sustainability







# Canadian and Global Context

Complex and continuously evolving ...

...

# Climate action and sustainability are part of Canada's recovery plans

As we continue to address the impacts of COVID-19 and ensure our strong economic recovery, we must also continue to fight climate change for the good of Canadians, our economy, and our planet. Canadians don't have to choose between clean air and good jobs. This strengthened climate plan will help us build a healthier, fairer, and more resilient future that we can be proud to pass on to our children and grandchildren.”<sup>2</sup>

The Rt. Hon. Justin Trudeau, Prime Minister of Canada

<sup>2</sup> Office of the Prime Minister of Canada, [\*Prime Minister announces Canada's strengthened climate plan to protect the environment, create jobs, and support communities\*](#), 2020



# Commitment to sustainability at all levels of government

Canada announces first federal green bonds as part of its 2021 budget

Montréal Climate Plan: Objective carbon-neutral by 2050



Government of Canada  
Gouvernement du Canada

MENU

[Canada.ca](#) > [Environment and natural resources](#) > [Climate change](#) > [Canada's climate plan](#)

Last updated December 15, 2020 • Reading time: 2 min

Related [Climate change](#)

## Net-Zero Emissions by 2050



The transition to a cleaner, prosperous economy needs to be both an immediate priority a years and decades ahead. The only way to meet this long-term goal is for Canada to keep i building on existing measures.

## Province of Ontario Green Bonds

### Overview

Ontario is currently the largest issuer of Canadian dollar Green Bonds, with ten green issues totaling \$10.75 billion, of which \$10.25 billion is currently outstanding.

Ontario's Green Bonds capitalize on the Province's ability to raise funds at low interest rates and serve as an important tool to help finance public transit initiatives, extreme-weather resistant infrastructure, and energy efficiency and conservation projects.

### Green Bond Q&A's

- [Download the Green Bond Q&A's \(PDF\)](#).



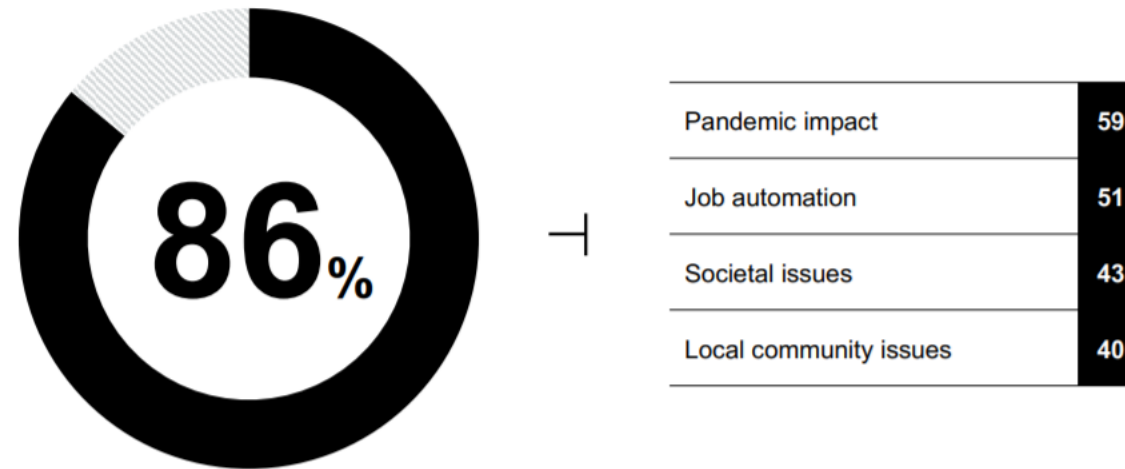
“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers and the communities in which they operate.”

— Larry Fink, CEO of BlackRock  
[2018 Letter to CEOs](#)

# 2021 Edelman Trust Barometer Global Report

## CEOS MUST LEAD ON SOCIETAL ISSUES

I expect **CEOs to publicly speak out** about one or more of these societal challenges

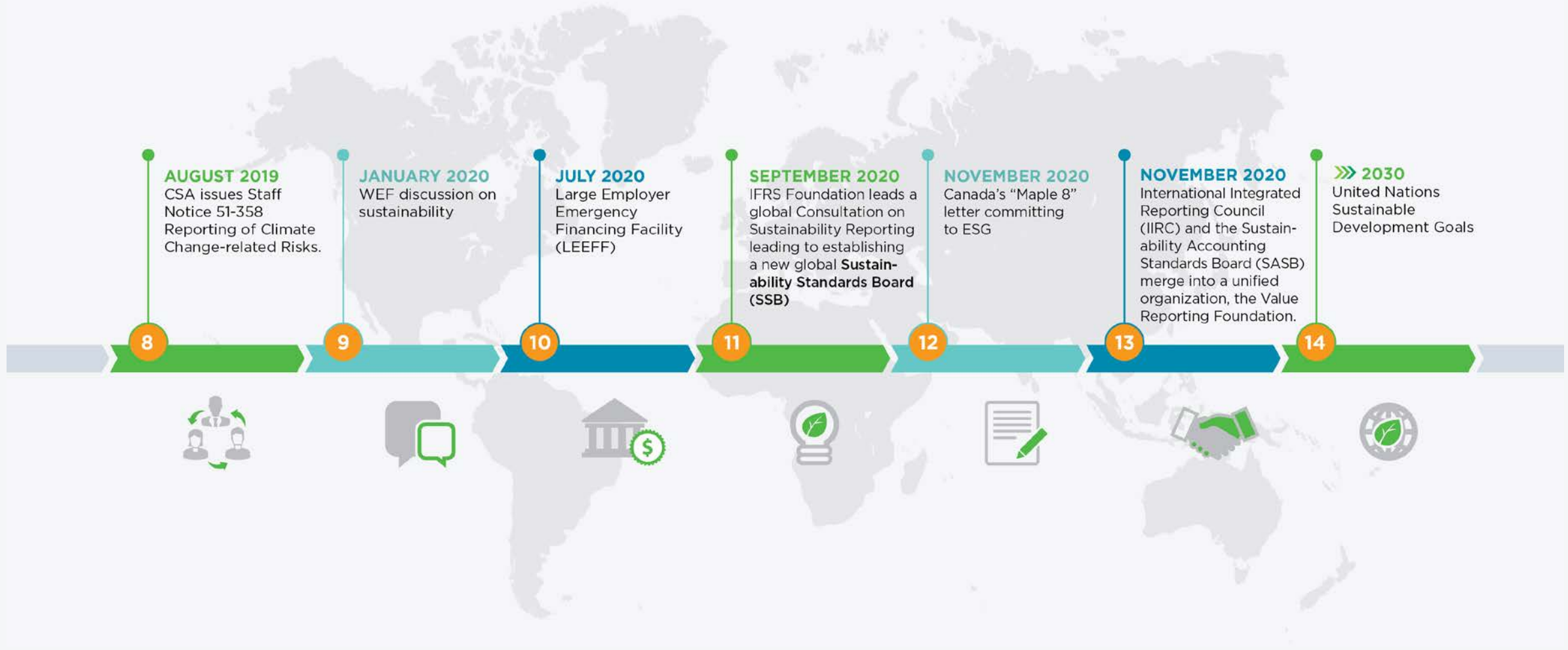


Source: 2021 Edelman Trust Barometer Global Report





# Recent developments in ESG/Sustainability



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# Recent developments cont'd



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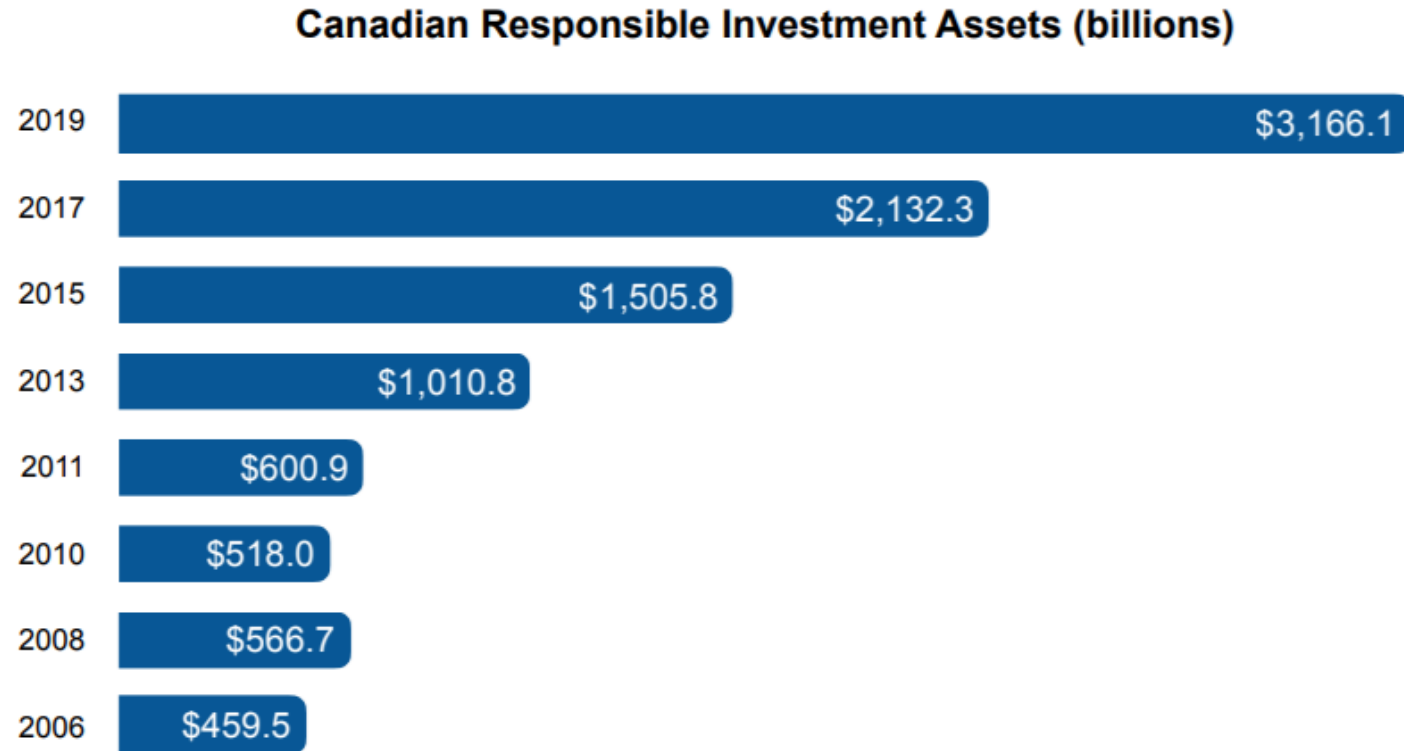


# Investor perspectives

## Data and disclosure matter



# Sustainability a priority for Canadian investors



Source: [2020 Canadian Responsible Investment Trends Report](#) [Responsible Investment Association, November 2020]

# Globally – investor expectations are shifting

Almost 60% of mutual fund assets will be ESG by 2025 <sup>4</sup>

97%

of investors  
evaluate  
non-financial  
Disclosures <sup>5</sup>

100%

of investors  
and bond rating  
organization buy  
climate-related  
financial data  
from 3rd party  
data providers <sup>6</sup>

56%

of investors said that a  
company's non-financial  
disclosures are either not  
available or inadequate for  
meaningful comparison with  
those of other companies <sup>7</sup>

<sup>4</sup> PwC, [\*2022 – The Growth Opportunity of the Century\*](#), 2020

<sup>5</sup> EY, [\*Environmental, social and governance \(ESG\) or nonfinancial factors have become integral to the investment decision-making process\*](#), 2018

<sup>6</sup> CPA Canada, [\*Progressive Investors and Corporate Disclosure\*](#), 2019

<sup>7</sup> EY, *ibid.*



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# Risk of “greenwashing” is a concern

UNDER INCREASED SCRUTINY AS DEMAND FOR ESG-RELATED CONSUMER AND INVESTMENT PRODUCTS INCREASES

## ‘Regulators target “greenwashed” products

The ESG investing space has become increasingly susceptible to marketing hype

### Sustainable Business

U.S. SEC to consider new 'sustainable' fund criteria, data disclosure rules

Greenwashing biggest challenge of ESG investing, say institutions



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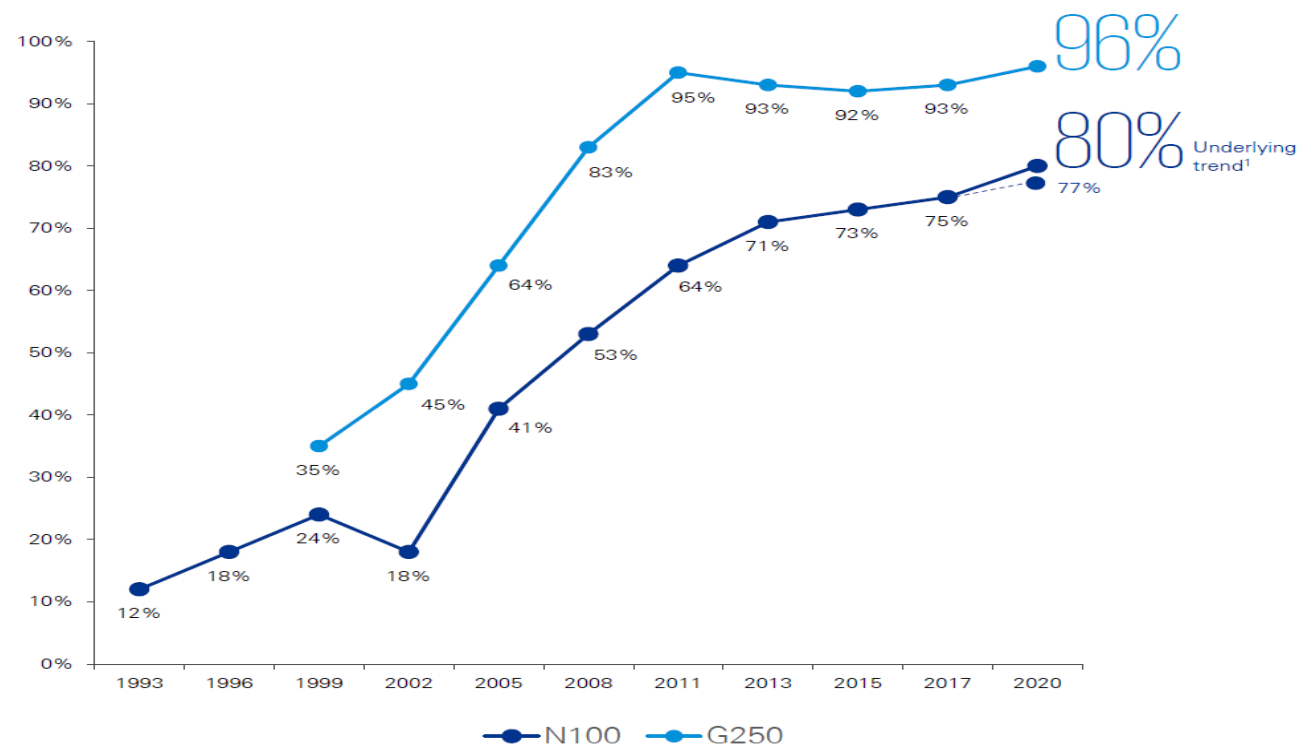
# Reporting challenges



# Sustainability reporting is growing worldwide

CANADA (92 PERCENT) AMONG THE 10 COUNTRIES WITH THE HIGHEST SUSTAINABILITY REPORTING RATES IN THE WORLD

Growth in global sustainability reporting rates since 1993: N100 and G250



Source: KPMG Survey of Sustainability Reporting 2020

# Reporting challenges

Multiple  
frameworks  
and standards

Changing  
regulation

Currently, no  
global  
standardization

Materiality

# ESG Reporting Landscape



- Runs the global disclosure system for investors, companies, .....to manage their environmental impacts



- Committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital



- SASB's mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors



- We came together in pursuit of a single goal: to identify and create new metrics to measure and demonstrate long term value to financial markets



- Helps businesses and governments understand and communicate their impact on critical sustainability issues



- To align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of corporate reporting and thinking



- A forum for building global consensus on how to measure, report, compare and improve impact performance



- The work and recommendations of the Task Force will help firms understand what financial markets want from disclosure in order to measure and respond to climate change risks and encourage firms to align their disclosures with investors needs



# Are we speaking the same language?

Sustainability

E= Environmental

S= Social

G= Governance

ESG Criteria

ESG Factors

ESG Metrics

ESG Screening

Responsible Investment

Sustainable Investment

Ethical Investment

Impact Investment

Climate Change

Human Rights

Labour Standards

SDGs

UN PRI

Renewable Energy

Carbon Emissions

GHG Emissions

Net Zero

Net Neutral

Double Materiality

Enterprise Value Creation

Plastics

Water Usage

Negative Screening

Positive Screening

CSR

Energy Transition

Risk Analysis

Sustainable Land Use

Circular Economy

Planetary Boundaries

Impact Reporting

Ethical supply chain

Stakeholder Capitalism

**...and the list goes on!**



# A tale of two banks

There are differences in the assessment of material ESG factors and the way in which they are ultimately reported

Material ESG Topics		
Bank A	<ul style="list-style-type: none"><li>• Business conduct</li><li>• Climate change</li><li>• Community impact</li><li>• Consumer protection and transparency</li><li>• Corporate governance</li><li>• Customer experience</li><li>• Data security</li></ul>	<ul style="list-style-type: none"><li>• Diversity and inclusion</li><li>• E&amp;S risk management</li><li>• Employee experience</li><li>• Financial inclusion</li><li>• Human rights</li><li>• Sustainable finance</li></ul>
Bank B	<ul style="list-style-type: none"><li>• Business ethics</li><li>• Belonging at work</li><li>• Community relationships</li><li>• Client experience</li></ul>	<ul style="list-style-type: none"><li>• Employee engagement</li><li>• Inclusive banking</li><li>• Privacy and information security</li><li>• Sustainable finance</li></ul>

# Standard setting/regulatory intervention

IFRS  
Foundation  
Trustees  
consult on  
global  
approach to  
sustainability  
reporting



IOSCO Technical Expert Group to undertake an assessment of the technical recommendations to be developed as part of the IFRS Foundation's sustainability project



Climate-reporting  
conditions accompany  
Large Employer  
Emergency Financing  
Facility (LEEFF)



SEC announces Enforcement  
Task Force focused on climate  
and ESG issues

European Financial  
Reporting Advisory  
Group (EFRAG)  
announces plans to  
establish a  
comprehensive set  
of EU sustainability  
reporting standards



UK launches consultation on  
mandatory TCFD reporting





# IFRS Foundation

## Proposed International Sustainability Standards

# IFRS Foundation consultation (2021)

In the context of their strategy review, the Trustees published a consultation paper on sustainability reporting to determine:

- whether there is a need for global sustainability standards
- whether the IFRS Foundation should play a role
- what the scope of that role could be





# IFRS Foundation Trustees' Strategic Direction

In March, the IFRS Foundation Trustees announced their strategic direction and further steps based on the response from their sustainability reporting consultation. Based on the feedback, the Trustees have provided the following strategic direction for a new board:

Investor focus for  
enterprise value

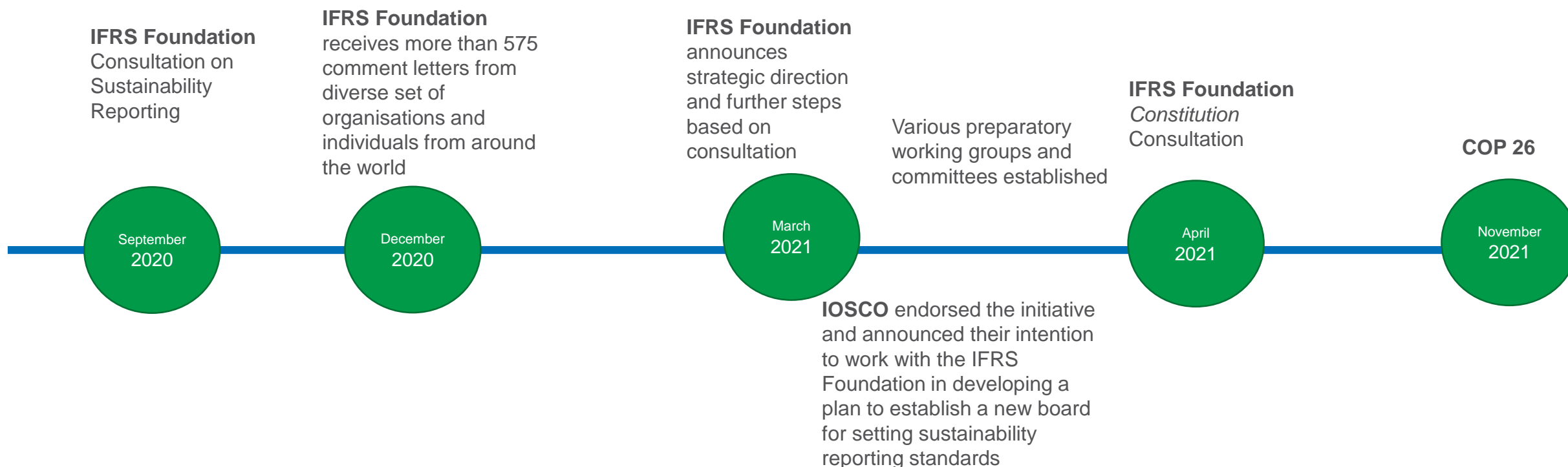
Sustainability  
scope, prioritising  
climate

Building on  
existing  
framework

Building blocks  
approach

# Key milestones and next steps

Key milestones integral to the establishment of a global SSB have already been observed internationally



Formal announcement of new board expected at the November 2021 United Nations COP26 conference.

# Canadian bid to host the International Sustainability Standards Board

## Letter from the Deputy Prime Minister to the Chair of the Board of Trustees of the IFRS Foundation

Mr. Erkki Liikanen  
Chair, Board of Trustees  
IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London, UK E14 4HD

Dear Mr. Liikanen:

I am writing on behalf of the Government of Canada and a coalition of over 55 Canadian public and private institutions to express our support for the proposed International Sustainability Standards Board (ISSB) and to invite the Board of Trustees to locate the ISSB headquarters in Canada.

“Canada recognizes the importance of effective disclosures based on high-quality data in addressing climate change and nature degradation, improving opportunities for women, visible minorities, and other underrepresented groups, and enhancing public and private sector governance. Canada is a reliable, multilateral partner dedicated to promoting sustainable outcomes that would be respectful of an organization whose objective is to develop global sustainability standards on behalf of over 140 member countries.”

<https://www.canada.ca/en/department-finance/news/2021/07/letter-from-the-deputy-prime-minister-to-the-chair-of-the-board-of-trustees-of-the-ifs-foundation.html>

# Canadian Champions for Global Sustainability Standards

Financial Contributors	Supporters
<p>Alberta Investment Management Corporation (AIMCo)</p> <p>ATB Financial</p> <p>Autorité des marchés financiers</p> <p>The Bank of Nova Scotia (Scotiabank) / Jarislowsky Fraser Ltd</p> <p>BDO Canada LLP</p> <p>Bell</p> <p>BMO Financial Group</p> <p>British Columbia Securities Commission</p> <p>Caisse de dépôt et placement du Québec</p> <p>Canada Life</p> <p>Canada Pension Plan Investment Board</p> <p>Canadian Imperial Bank of Commerce (CIBC)</p> <p>Chartered Professional Accountants of Canada (CPA Canada)</p> <p>The Co-operators Group</p> <p>Deloitte</p> <p>Desjardins Group</p> <p>Ernst &amp; Young LLP (EY)</p> <p>Fairfax Financial Holdings Ltd</p> <p>First Nations Financial Management Board</p> <p>Government of Canada</p> <p>Healthcare of Ontario Pension Plan (HOOPP)</p> <p>iA Financial Group</p> <p>Intact Financial Corporation</p> <p>KPMG</p> <p>Magna International Inc.</p> <p>Manulife</p> <p>National Bank of Canada</p> <p>Ontario Municipal Employees Retirement System (OMERS)</p> <p>Ontario Securities Commission</p> <p>Ontario Teachers' Pension Plan</p> <p>PricewaterhouseCoopers LLP (PwC)</p> <p>PSP Investments</p> <p>Royal Bank of Canada (RBC)</p> <p>Sun Life</p> <p>Suncor Energy Inc.</p> <p>TELUS</p> <p>TD Bank Group</p> <p>TMX Group</p>	<p>Business Council of Canada</p> <p>Business Schools Association of Canada</p> <p>Canadian Academic Accounting Association</p> <p>Canadian Association of Petroleum Producers</p> <p>Canadian Chamber of Commerce</p> <p>Canadian Coalition for Good Governance (CCGG)</p> <p>Canadian Securities Administrators</p> <p>City of Calgary</p> <p>City of Mississauga</p> <p>City of Montreal</p> <p>City of Ottawa</p> <p>City of Toronto</p> <p>City of Vancouver</p> <p>The Conference Board of Canada</p> <p>Global Risk Institute</p> <p>Insurance Bureau of Canada</p> <p>Institute for Sustainable Finance (ISF)</p> <p>Institute of Corporate Directors</p> <p>Institute of Fiscal Studies and Democracy</p> <p>Ivey Foundation</p> <p>Responsible Investment Association</p>
*This list does not represent the entirety of Canadian support for the ISSB.	



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# Key Takeaways

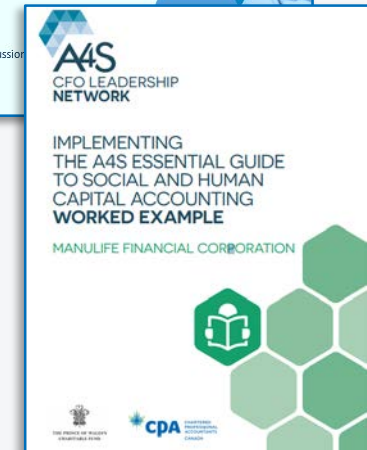
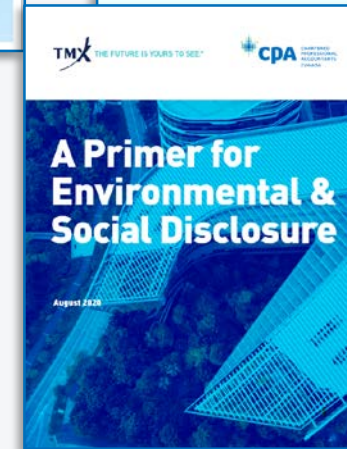
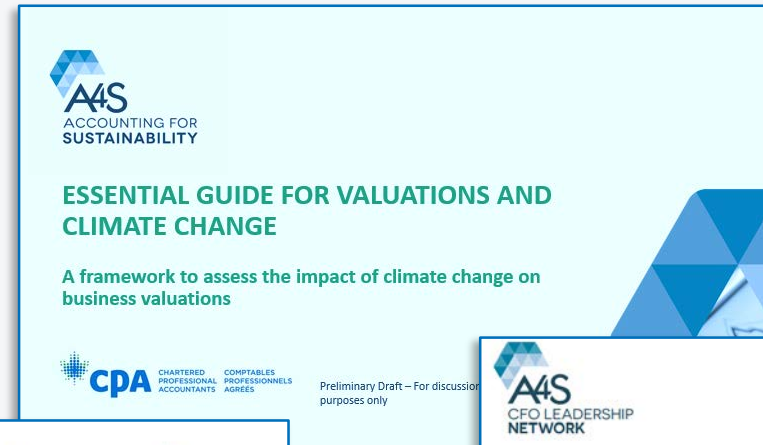
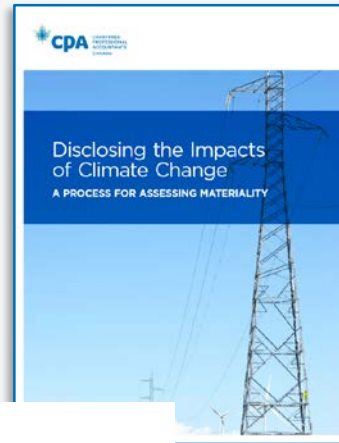
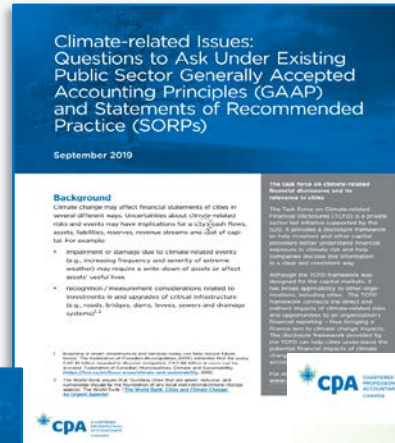
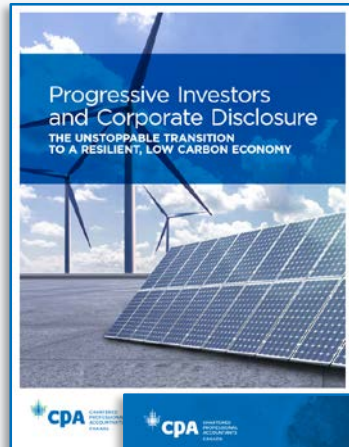
# Implications for CPAs

- CPAs will be expected to have a more prominent in sustainability strategy, reporting, assurance and other related functions to help organizations and investors make informed decisions.
- The CPA profession is well-positioned to deliver consistent, comparable, and reliable ESG disclosures that investors and other stakeholders need.
- The CPA profession can provide leadership in establishing high quality global sustainability reporting standards working alongside experts from other disciplines.
- Standard setting is a key part, but only one part, of the reporting environment - standards that are not understood and properly applied will be of limited value. Education and training will be necessary.
- Demand for independent assurance will increase in the future as entities look to enhance the credibility of their ESG reporting.

**Canada and the world need better ESG reporting and the accounting profession has the people and organizations to help achieve this!**

# Resources

# CPA Canada resources






# www.cpacanada.ca/sustainability

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cpacanada.ca/en/business-and-accounting-resources/sustainability

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## Sustainability for the future


Explore our resources to discover how organizations focusing on sustainability can successfully balance bottom-line results with other key factors, including impacts on society and the environment.

**A message from**  
Charles-Antoine St-Jean, FCPA, FCA,  
president and CEO, CPA Canada

Listen to Charles-Antoine speak to the importance of the establishment of an international sustainability standards board (ISSB), and why the time is right for Canada to lead.

CANADA'S BID - LEARN MORE

 A message from the CPA Canad... ⋮



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Strategy, risk and governance

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